

September 23, 2002

Thomas G. Robinson, Esq.
Massachusetts Electric Company
25 Research Drive
Westborough, MA 01582-0099

Re: Massachusetts Electric Company and Nantucket Electric Company, D.T.E. 02-50

Dear Attorney Robinson:

I. Introduction

On August 30, 2002, Massachusetts Electric Company and Nantucket Electric Company (together, "MECo" or "Company") filed with the Department of Telecommunications and Energy ("Department") a request to transfer ten percent of its wholesale standard offer service supply obligation from USGen New England ("USGenNE") to Constellation Power Source, Inc. ("CPS") ("Petition"). Specifically, the Petition seeks approval of (1) a contract between the Company and CPS for CPS to provide ten percent of MECo's requirements for wholesale standard offer service ("CPS Contract"), and (2) the implementation of an amendment to the agreement between the Company and USGenNE that will permanently reduce by ten percent USGenNE's obligation to provide the Company's requirements for wholesale standard offer service ("Amended Agreement"). On September 13, 2002, the Department issued a notice of filing allowing interested parties the opportunity to comment on the Petition. No comments were received. Also on September 13, 2002, the Company filed additional information regarding the terms and conditions of the CPS Contract ("MECo Letter").

II. Description of Petition

USGenNE currently provides 90.78 percent of MECo's requirements for wholesale standard offer service. This power supply agreement was approved by the Department in Massachusetts Electric Company, D.T.E. 97-94 (1998), and subsequently amended on September 1, 1998 and December 23, 1999 (as amended, "USGenNE Agreement") (Petition at 2). Under the proposed transaction, CPS would relieve USGenNE of ten percent of MECo's wholesale standard offer service requirement, thereby reducing USGenNE's power supply obligation to 80.78 percent (*id.* at 93-94). To effectuate the transfer of the ten percent share, MECo has entered into the CPS Contract and the Amended Agreement.

According to the Company, the CPS Contract provides the same pricing terms as the existing USGenNE Agreement (*id.* at 2). Certain terms and conditions, however, are different (MECo Letter at 1-5). The Company argues that, although not identical, the terms and conditions in the proposed CPS Contract are comparable to the terms and conditions in the existing USGenNE Agreement. Further, the Company points out that, in certain circumstances, the terms and conditions of the CPS Contract are more favorable to its customers (Petition at 2). For example, the CPS Contract more clearly addresses the parties' cost obligations, including uplift costs. In addition, the CPS Contract provides for security to assure the parties' performance (Petition at 2; MECo Letter at 2-3, 5).

III. Analysis & Findings

General Laws c. 164, § 94A requires gas and electric companies to file for Department approval all contracts for the purchase of gas or electricity of a duration greater than a year. In determining whether to approve an amendment to a purchase power agreement, the Department must review all available information to ensure that the agreement is consistent with the public interest. Cambridge Electric Light Company and Commonwealth Electric Company, D.T.E. 99-15, at 5 (2000); Commonwealth Electric Company, D.P.U. 91-200, at 5 (1993); Boston Edison Company, D.P.U. 92-183 (1992).

The price and delivery terms are the same in the proposed CPS Contract as in the previously approved USGenNE Agreement. *See* D.T.E. 97-94. The CPS Contract contains certain new or updated terms and conditions including: (1) updated contracted language, (2) credit support provisions, and (3) provisions that clarify CPS's responsibility for certain costs, including uplift costs (Petition at 2; MECo Letter at 1-5). While containing the same price provisions as the original supply contract, the CPS Contract contains improved credit support provisions. Further, without being dispositive of the appropriate allocation of uplift costs under the existing contract, the CPS Contract removes this uncertainty. After review, we find that the CPS Contract and the associated Amended Agreement are on balance, in the public interest. Accordingly, the Department approves the CPS Contract and the associated Amended Agreement.

By Order of the Department,

Paul B. Vasington, Chairman

James Connelly, Commissioner

W. Robert Keating, Commissioner

Eugene J. Sullivan, Jr., Commissioner

Deirdre K. Manning, Commissioner

cc: Joseph Rogers, Office of the Attorney General
Robert Sydney, Division of Energy Resources